



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TEGE:EO Examinations
1100 Commerce Street, MC 4920
Dallas, TX 75242

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: September 23, 2015

Release Number: 201603039
Release Date: 1/15/2016
UIL Code: 501.03-00

Person to Contact:

Identification Number:

Contact Telephone Number:

Telephone:

Fax:

EIN:

CERTIFIED MAIL – Return Receipt Requested

Dear:

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code. Our favorable determination letter to you dated March 16, 19XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reasons:

Your organization's activities consist of conducting bingo games, the sale of pull tabs and scratch games, and operating and maintaining your properties to support these gaming activities and the activities of the _____, an organization exempt from taxation under section 501(c)(8). Conducting gaming activities are not activities that further charitable or educational purposes within the meaning of section 501(c)(3). In addition, maintaining and operating property for the benefit of a section 501(c)(8) fraternal benefit society are not activities that further exempt purposes under section 501(c)(3). Your organization's charitable programs, while laudable, are insubstantial and incidental in comparison to your gaming activities and your activities in support of the section 501(c)(8) organization. You have therefore failed to demonstrate that you are operated exclusively for exempt purposes, as required by section 501(c)(3) of the Code.

Contributions to your organization are no longer deductible.

You are required to file Federal income tax returns on Form 1120. If you have not already filed these returns and the agent has not provided you instructions for converting your previously filed Forms 990 to Forms 1120, you should file these income tax returns with the appropriate Service Center for the tax year(s) ending date(s), and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of section 7428 of the Code in one of the following three venues: United States Tax Court, the United States Court of Federal Claims, or the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed before the 91st day after the date this determination was mailed to you if you wish to seek review of our determination. Please contact the clerk of the respective court for rules and the appropriate forms regarding filing petitions for declaratory judgment by referring to the enclosed Publication 892. Please note that the United States Tax Court is the only one of these courts where a declaratory judgment action can be pursued without the services of a lawyer. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005

U. S. District Court for the District of Columbia
333 Constitution Ave., N.W.
Washington, DC 20001

You also have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Office of the Taxpayer Advocate

Telephone

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Enclosure:
Publication 892

Margaret Von Lienen
Director, EO Examinations

Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities Division
1100 Commerce Street, MS 4900-DAL
Dallas TX 75242

Date:
August 14, 2014
Taxpayer Identification Number:

Form:
990
Tax year(s) ended:
20XX; 20XX; 20XX
Person to contact / ID number:

Contact numbers:

Fax Number:
Manager's name /10 number:

Manager's contact number:
Phone Number:
Response due date:

Certified Mail- Return Receipt Requested

Dear

Why you are receiving this letter

We propose to revoke your status as an organization described in section 501(c)(3) of the Internal Revenue Code (Code). Enclosed is our report of examination explaining the proposed action.

What you need to do if you agree

If you agree with our proposal, please sign the enclosed Form 6018, *Consent to Proposed Action -Section 7428*, and return it to the contact person at the address listed above (unless you have already provided us a signed Form 6018). We'll issue a final revocation letter determining that you aren't an organization described in section 501(c)(3).

After we issue the final revocation letter, we'll announce that your organization is no longer eligible for contributions deductible under section 170 of the Code.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final revocation letter. Failing to respond to this proposal will adversely impact your legal standing to seek a declaratory judgment because you failed to exhaust your administrative remedies.

Effect of revocation status

If you receive a final revocation letter, you'll be required to file federal income tax returns for the tax year(s) shown above as well as for subsequent tax years.

What you need to do if you disagree with the proposed revocation

If you disagree with our proposed revocation, you may request a meeting or telephone conference with the supervisor of the IRS contact identified in the heading of this letter. You also may file a protest with the IRS Appeals office by submitting a written request to the contact person at the address listed above within 30 calendar days from the date of this letter. The Appeals office is independent of the Exempt Organizations division and resolves most disputes informally.

For your protest to be valid, it must contain certain specific information including a statement of the facts, the applicable law, and arguments in support of your position. For specific information needed for a valid protest, please refer to page one of the enclosed Publication 892, *How to Appeal an IRS Decision on Tax-Exempt Status*, and page six of the enclosed Publication 3498, *The Examination Process*. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process. Please note that Fast Track Mediation referred to in Publication 3498 generally doesn't apply after we issue this letter.

You also may request that we refer this matter for technical advice as explained in Publication 892. Please contact the individual identified on the first page of this letter if you are considering requesting technical advice. If we issue a determination letter to you based on a technical advice memorandum issued by the Exempt Organizations Rulings and Agreements office, no further IRS administrative appeal will be available to you.

Contacting the Taxpayer Advocate Office is a taxpayer right

You have the right to contact the office of the Taxpayer Advocate. Their assistance isn't a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate can't reverse a legally correct tax determination or extend the time you have (fixed by law) to file a petition in a United States court. They can, however, see that a tax matter that hasn't been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate assistance. If you prefer, you may contact your local Taxpayer Advocate at:

Internal Revenue Service
Office of the Taxpayer Advocate

Phone Number:

For additional information

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Barbara L. Harris
Acting Director, EO Examinations

Enclosures:
Report of Examination
Form 6018
Publication 892
Publication 3498

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit #
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ISSUES:

- 1) Whether the exempt organization was compliant with the Operational Test requirements described in Income Tax Regulation Sections 1.501(c)(3)-1(c)?
- 2) Whether the Commensurate Test requirements defined in Revenue Ruling 64-182, 1964-1 C.B. 186 were met?
- 3) Whether the exempt organization satisfied the Primary Purpose Test requirement described in Section 1.501(c)(3)-1(e)(1) of the Income Tax Regulations?
- 4) Whether the exempt organization's determination letter issued on March 16, 19XX granting 501(c)(3) exemption may no longer be relied upon because of its failure to notify the Internal Revenue Service of material changes to their sources of support, their purposes, character, or method of operation as prescribed in Section 601.201(n)(3)(ii) of the Income Tax Regulations?
- 5) Whether organization satisfies the public support test defined in Treasury Regulation 1.170A-9(f).

FACTS:

Gaming Commission:

The Commission is responsible for overseeing all gaming activities in the state. Currently only non-profit organizations are authorized to conduct gaming providing the organization, its managers and governing board meet the exemption requirements, satisfy background requirements and have a valid gaming license.

satisfied the requirement for approval to conduct gaming in the State of .

The Gaming Commission, Bingo Division, conducts periodic examinations of exempt organizations to determine whether bingo gaming activities satisfy gaming statutes only. State law requires exempt organizations conducting bingo activities to maintain separate bank accounts, general ledgers and other records to record bingo activities only. State bingo examinations in part determine that bingo payout, administrative expense, and charitable contributions as a percentage of gross bingo revenues have been satisfied State gaming statutes.

The Bingo division is not permitted to audit exempt organization's non bingo gaming activities. Nor are they able to perform examinations of their charitable activities, programs including financial statements and bank accounts. This prohibition also

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extends to monitoring the state required 20% of gross bingo revenues deposited into the organization's charity/business banking account which should be used exclusively for the exempt organization's charitable programs and charitable activities. The Bingo Division is authorized to determine that the required percentages of gross bingo revenues for bingo payouts, administrative expenses and charitable donations as a percentage of those revenues, have been satisfied per State gaming statute. But the division's authority to perform audits of the disbursement of those same funds ends once transferred to their charitable/business bank account. The Division is not authorized to determine whether exempt organization's bingo gaming funds initially earmarked for charitable purposes are in fact disbursed for those purposes.

The Lotto division is responsible for overseeing all other forms of legitimate gaming operating within the state. The Lotto division strictly enforces, and governs all aspects of Lotto gaming. An exempt organization must purchase pull tabs, and scratch cards only from state approved vendors. Invoices must be paid within 30 days. The state receives copies of all invoices and determines exempt organization commissions, payout requirements and sales tax. Additional selling bonuses may be earned. Exempt organizations are required to take inventory of both the delivery and bill of lading when received. If an error is found, the state and vendor are notified. The state monitors the correction, as required. The state maintains comprehensive annual reports by exempt organization. An understanding of the vendor's annual report is required to determine annual sales, payouts, gaming tax, commissions and additional selling bonuses. The report monitors appropriate non-bingo gaming activities. The exempt organization earns about a 5% commission per activity. For example an exempt organization earning an annual commission of \$1,000 for its scratch card gaming activity would require \$20,000 in sales volume.

Initial Interview:

At our initial interview , president, stated that:
() was originally created to hold title and to maintain buildings and properties for the who were not permitted by the national organization to own real estate.

In order to qualify for membership in the , a member must be in good standing with the . All board members are members of

When I asked him about their charitable activities, stated that:

The permitted the to operate a food pantry rent free in a building recently constructed on their property which he considered a

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charitable activity. The also donate to various charitable organizations; but their main program was the program. is an acronym for . He said the provide health equipment to individuals who do not have the financial resources to rent or buy needed equipment from for-profit organizations. The individuals served are part of a charitable class. When I asked how individuals became aware of their services he said the clients are referred to them by and local hospitals. A local for-profit health equipment provider refers customers who are unable to afford their equipment.

Tour of Facilities:

At another meeting, I toured the facilities, approximately 5 acres with the exempt organization's president. On it stood a 6,000 square foot building, a 2,500 square foot building and a 700 square foot converted garage type building. The property had a large parking area with thin grassy areas surrounding it. On one side of the largest building where their gaming activities were located, was a large patio and a large grassy backyard. The gaming hall consisted of several rows of tables and a stage where barkers sat. The main area offered seating for 75 to 100 individuals, primarily for bingo customers and customers who wanted to have lunch while they played bingo. The kitchen located within the gaming hall offered a full menu. On the other side of the building was the where their meetings were held. The meeting area consisted of 1800 square feet and included the and a large table in the front of the hall. The hall also included twenty or thirty chairs for member to sit on either side of the hall during meetings. The rear of the hall included a wet bar and locked conference room where our audit was conducted. A second building directly across their parking area was called the food pantry and used by the to distribute food to the needy one day a week. The building was constructed in tax year 20XX. Adjacent to the building a large grassy area was being converted to a vegetable garden constructed by the that would be used by the to cultivate additional low cost food for distribution; it also became operational in tax year 20XX. , a member of the , is the current president, as well. The building that resembled a large garage had been converted for the program's inventory. Their equipment could be repaired as required and served as a point of contact for clients.

During the tour of facilities I noticed that all buildings had signs with the logo. There were no signs identifying the 501(c)(3) programs or activities, except at the entrance to the property, where a large lighted sign fifty or sixty feet tall identified " " in large bold letters.

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In conversations with the newly appointed program manager, we reviewed program purposes and activities, types of equipment used in the program, how equipment is received and distributed to clients and how clients find out about their program. The program was designed to serve the needs of the disabled, a charitable class. He invited me to tour the inside of the facility with him. The interior of the building has approximately 500 square feet of space. Their inventory included older electric motorized wheelchairs which appeared to be disassembled and used for spare parts. Usable inventory included several walking sticks (canes), and walkers. There were no hospital beds or other larger health equipment on site. When I pointed that out, he said that most of the larger equipment was currently on loan. The wheelchairs in inventory were used to service existing wheelchairs but when the need arose to provide working wheelchairs for immediate use, they contact their sources. If one was not available, the client was referred to another exempt organization having similar inventory. When I asked about their computer, he said the computer for the program is not currently operating and that a new software program was being considered.

When we returned to the conference room, I asked that he provide me with a complete listing of their on hand and on loan equipment inventory. He said he would look into it and get back to me.

Activities Analysis

The program was also discussed. One board member said the program was a significant program. I asked him for more information. He went on to say the program benefited the community because it helped individuals by providing medical equipment they would not otherwise be able to afford. I asked if the program maintained an inventory of equipment on hand and on loan. He said the former volunteer manager was developing a program to maintain such records but could not give me any additional information. I asked how customers learned about their program. He said they were referred by local hospitals and a local for-profit. He did provide the name of a hospital and a for-profit. He also stated that has a free statewide program enabling individuals to search via the internet or call a representative for help with finding organizations that provide free or low cost medical assistance. I pointed out that donations disbursed to other charitable organizations were significantly less than monies transferred as charitable donations from the bingo gaming account to the charity bank account. It became clear that the board of directors and management did not understand the specific exemption requirements and/or types of charitable activities required of public charities exempted under Section 501(c)(3) of the Income Tax Regulations.

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The only substantial activity conducted by the _____ during the audit period was operating a gaming facility substantially for non-exempt purposes. The existence of substantial charitable programs or activities commensurate with the organization's financial strength did not exist in the books and records reviewed. The organization operated primarily to develop land, real property and to maintain and hold title to said real property on behalf of the _____. In the audit period net proceeds amounting to \$ _____ were disbursed for additional land and real property for the beneficial interests of the _____ and its membership, which included the _____. _____ also hold title to and maintain properties for the same interests.

I determined that the _____ program which is supported by volunteers who were members of both the _____ and of the _____ is actually sponsored by the _____. This was verified when I contacted two hospitals and a for-profit organization who referred individuals to the _____ for assistance with various medical equipment needs. When asked if they also worked with the _____, each organization responded no, or that they were not familiar that organization. I also researched _____, a free statewide program, enabling individuals to search via the internet or call representatives for help with finding organizations that provide free or low cost medical assistance, health and human services or social services, such as rental assistance, energy assistance, food and clothing, child care resources, emergency shelter, etc.. The _____ database shows the _____, _____ as a referral on the database. _____, _____ could not be found on the database in any search mode, whether by name, physical address, city, or by zip code. A flyer also identifies the _____ program with the _____ as the program's sponsor. When I presented this to management at the closing conference, the response was that the organizations work together.

Audit Analysis and Conclusions:

The primary activities of the exempt organization in tax years 20XX through 20XX was operating a substantial gaming activity for non-exempt purposes. The organization's available cash from all sources identified above, in the Financial Strength Analysis table, before disbursing property and maintenance expenses, charitable donations and property improvement costs, equaled \$ _____. The _____ disbursed charitable donations to other 501(c)(3) public charities totaling \$ _____. Property and maintenance costs accounted for approximately \$ _____. Further, the exempt organization also disbursed \$ _____ for improvements made to the main building and parking area primarily to generate additional bingo revenues and other unrelated business revenues, including revenues from a modernized full service kitchen. The

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above table shows net available cash at year end amounted to \$ or % of charitable donations disbursed. A review of bank statements at year end 20XX reflected amounts in excess of amounts reflected in the Financial Strength Analysis table. Accounts payable at year end accounted for around % of net available cash at year end. My analysis of the organization's Financial Strength and of the facts and circumstances relating their sources of income and charitable and non-charitable activities concluded the exempt organization was operated primarily for non-exempt purposes in the audit period, and support provided for its charitable programs and activities were not commensurate with its financial strength or resources. As a result failed operational and commensurate test requirements prescribed in Treasury Regulation 1.501(c)(3)(c)(1) and in Revenue Ruling 64-182, 1964-1 C.B. 182 respectively.

Other issues were identified that compromise the organization's continued 501(c)(3) exemption, include it's non-compliance with paragraph 7 of their Determination Letter dated March 18, 19XX, which granted exemption under I.R.C. section 501(c)(3) as a public charity organized under I.R.C. sections 509(a)(1) and 170(b)(10)(A)(vi). In their determination letter dated March 18, 19XX. Paragraph 7 of that letter included the following advisory:

"If you change your sources of support, your purposes, character, or method of operation, please let us know so we can consider the effect of the change on your exempt status and foundation status. If you amend your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, let us know all changes in your name and address."

The organization has conducted substantial gaming activities for several years. The exempt organization has not notified The Service of any changes to the activities or sources of income. In the event the Service is not notified of such changes, Treasury Regulation Section 601.201(n)(3)(ii) provides that you may no longer rely on your original determination letter, dated March 18, 19XX for exemption.

As stated above the exempt organization is organized as a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. In order to satisfy the public support, the must receive at last 33-1/3% of its support from a governmental unit described in section 170(c)(1) or from direct and indirect support from the general public as defined above in Treasury Regulation Sections 1.170A-9F(1)-(3). The exempt organization failed the 33-1/3% public support test, as well as the 10% percent facts and circumstances test, as defined in the legal precedents section and as such, no longer qualifies as an organization exempted under I.R.C. Section 501(c)(3).

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The primary purpose of the exempt organization in tax years 20XX through 20XX was operating a substantial gaming activity for non-exempt purposes. The organization's available cash from all sources identified above in the Financial Strength Analysis table amounted to \$. Charitable contribution revenues received, primarily donated from one 501(c)(3) public charity sharing their bingo facilities, equaled \$ while charitable donations disbursed to other 501(c)(3) public charities amounted to \$. Property and maintenance costs accounted for approximately \$. The above table shows net available cash at year end amounted to \$ or % of charitable donations disbursed. A review of bank statements at year end 20XX reflected amounts in excess of amounts reflected in the Financial Strength Analysis table. Accounts payable at year end accounted for around % of net available cash. Further, the exempt organization also disbursed \$ for improvements made to the main building and parking area primarily to generate additional bingo revenues and other unrelated business revenues including revenues from a modernized full service kitchen. As a result of the analysis of the organization's Financial Strength and of the facts and circumstances relating their sources of income and charitable and non-charitable activities, *the examining agent concluded the exempt organization was operated substantially for non-exempt purposes in the audit period and did not provide support for its charitable activities commensurate with its financial strength.* As a result failed operational and commensurate test requirements prescribed in Treasury Regulation 1.501(c)(3)(c)(1) and Revenue Ruling 64-182, 1964-1 C.B. 182 respectively.

Closing Conference:

During the closing conference, which the board of directors and exempt organization's president were present, we reviewed my findings which included the substantial non-exempt gaming activities. We reviewed charitable donations and the fact that donations disbursed were not commensurate with the exempt organization's financial strength. We also discussed whether the Board of Directors or management considered developing other charitable programs and activities. The board said they did look into other activities, but were not sure how to proceed. The board also believed the local , would reject such programs. This is supported by the fact that the management and the governing body was unaware that Section 501(c)(3) exempt organizations cannot hold title, develop land, real property or maintain property on behalf of a fraternal organization as an exempt activity. It was further determined that the organization did not notify the Internal Revenue Service when it changed its activities, sources of support, etc., as required in Paragraph 7 of their March 18, 19XX determination letter, as described the Determination letter section shown below.

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We also discussed my findings and that I would be recommending that 501(c)(3) exemption be revoked. We reviewed my conclusions and said he made a lot of mistakes based on not fully understanding exempt organization tax law. He said he wanted review the case with his sources before making any decisions and asked that I give him additional time to do this. I explained the next steps in the closing process, which included completing closing documents, reviewing workpapers, preparing a preliminary findings report that would identify relevant issues and facts supporting my conclusions as discussed at the closing conference, giving him an opportunity to state his position, preparing a final report incorporating his responses, which would be mailed to him once again for his review. If a formal protest was filed, that information would be noted in my final report. If new information was presented in the protest, I would provide a rebuttal based on that information and the case would ultimately be closed to appeals. We briefly talked about filing a formal protest necessitates a complete understanding and compliance with requirements for filing a formal protest, as outlined Publication 892 and 3498 the examining process.

I stated that based on current workload and other inventory requirements it may take several months before he receives my preliminary findings report and that I would work with him to give him the additional time he required for complete his research. I would call him every 30 to 45 days to give him an update of the closing process. Thereafter, I responded to questions.

In concluding the closing conference, I thanked him and the Board of Directors for their honest and candid responses and access to their staff throughout the process.

and the Board of Directors fully cooperated throughout the examination process which lasted approximately 30 days.

Articles of Incorporation:

The _____ was incorporated in the State of _____, on September 12, 19XX. The corporation was formed under the nonprofit laws specifically for religious, charitable and/or benevolent purposes; the transaction of any or all lawful business and to act as a non-profit corporation as defined under _____ Code and section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

The Bylaws:

The Bylaws were ratified by the original incorporators on September 12, 19XX. The document included several articles that negatively impact exemption and its ability to function as an organization exempted under Section 501(c)(3) of the Internal Revenue Code. For example:

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In Article I Name:

The name of this organization shall be _____ . It is an adjunct of the _____ , hereinafter referred to as the "Council."

In Article II Purposes:

The organization shall be organized and operated exclusively for purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, or any superseding section, or relevant Section 501(c)(2) or Section 501(c)(7) in order to:

Section 1: Purposes: The purposes of this corporation are:

- a) To promote and extend fraternal, charitable, and civic and social pursuits;
- b) To render mutual aid and assistance to its sick, disabled and needy members and their families;
- c) To uphold and perpetuate the highest standard among its members in the community
- d) To create and perpetuate true friendship among its members;
- e) To dedicate a portion of its members time and energy to unselfish service to others
- f) To instill humanitarian virtues in the daily lives of its members;
- g) To cooperate and participate in all the fraternal, religious, charitable, patriotic, and the civic enterprises of the Council and the

Section 2 Powers: The corporation shall have the power to sue and be sued, to hold, receive, lease and purchase such real estate and personal property as may be requisite and expedient for its purposes, and to sell, lease encumber and dispose of such property. It shall have all other powers granted to non-stock, non-profit corporations by the general laws of this State. Provided, however, the corporation shall not carry on any activities or shall it have any powers prohibited to an organization exempt from federal income tax under Section 501(c)(2), Section 501(c)(3) and Section 501(c)(7) of the Internal Revenue Code or corresponding section of any future United States Internal Revenue Law. In particular, but without limitation of the foregoing, the Corporation shall not have or issue shares of stock or pay dividends, no part of its earnings or assets shall inure to the benefit of or be distributable to it members, directors, officers or other private persons, except that it shall be authorized to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its authorized purposes.

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In Article IV Members:

The members of this corporation shall be solely the members in good standing of the Council. Termination for any reason of membership in good standing in said Council shall automatically and immediately terminate membership in this corporation and no terminated members shall have any further right, title or interest in this Corporation or in the privileges of membership therein.

In Article VI Board of Directors:

Section 1 Number: the Board of Directors shall consist of four persons who shall be members in good standing of the corporation. The and three trustees shall be board members. If a member of the Board shall lose his membership in the council or Corporation for any reason whatsoever, his membership on the Board of Directors shall automatically and immediately terminate.

Section 10: Supervision of Directors: The Board shall be under the general supervision and control of the Officers of the Council and the Council Officers may remove any and all Directors if their actions are found to be detrimental to the purposes of either the Corporation or the Council.

Article VII Officers:

a) Vice President – In the absence of the President, he shall preside at all meetings of the Corporation and at all meetings of the Board of Directors. He shall make a monthly report of the doings of the Board of Directors to the Council at each Council monthly business meeting. He shall perform any other duties which may be assigned to him by the President of the Board of Directors.

Upon dissolution of existence of this Corporation in any manner, all of the funds, assets and property of any kind owned by the corporation shall be turned over, in full, after payment of all its liabilities, to the Council or to a Catholic organization recognized by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, as stated in Article XI Termination of Existence.

Application for Recognition of Exemption Under Section 501(c)(3):

The organization filed Form 1023, Application for Recognition of Exemption, on November 12, 19XX. In Part I, question 4, stated their fiscal year ended in August.

In Part II question 1, the organization described its planned activities as follows:

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Revenues will be generated in the form of rental income from a non-profit organization and from weekend events such as banquets, weddings and receptions.

_____ would provide \$ _____ annually in rental income for the building and additional income amounting to \$ _____ from weekend events.

The exempt organization expected to pay \$ _____ annually in mortgage payments. Remaining revenues would be donated to schools and churches and to help the poor and under privileged living in their community.

In question 2, the organization indicated its anticipated sources of support would be from rental income for the use of their building. In question 4(a), the initial incorporators and directors listed were _____, _____, _____ and _____. The directors would serve without compensation and were residents of _____.

In question 4(d)(1) the organization stated that it was neither in control nor controlled by another organization.

Part II question 5 asks if organization controls or is it controlled by any other organization? The _____ responded "NO." Is the organization the outgrowth of (or successor to) another organization or does it have a special relationship with another organization by reason of interlocking directorates? The _____ also responded "NO."

In question 8 the exempt organization stated other assets included the construction of a building.

In Part III, question 10(h) the organization indicated that it considered itself a section 509(a)(1) and 170(b)(1)(A)(vi) organization. One that receives a substantial part of its support in the form of contributions from publically supported organizations, from a governmental unit or from the general public. In question 12 the organization indicated that it did not receive any unusual grants in the tax year identified in Part IV-A.

In Part IV of the application, Financial Data, reflects the exempt organization's current and proposed activities for fiscal tax periods ending August 31, 19XX, August 31, 19XX and August 31, 19XX. Projected revenues from "gross investment income" amounted to \$ _____ each for fiscal years ending August 31, 19XX, and August 31, 19XX. The

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exempt organization also projected annual disbursements for each year relating to "contributions, gifts, grants and similar amounts paid" would be \$ (to be determined), while "interest expense" disbursements would be \$ in the 19XX fiscal tax year and \$ in the 19XX fiscal tax year, while "depreciation" remained unchanged and totaled \$ in each fiscal tax year. Net excess of revenue over expenses showed a loss of (\$) in fiscal tax year 19XX and a loss of (\$) in fiscal tax year 19XX. This variance was attributable to a reduction in interest expense. No other schedules or attachments were included with the Form 1023 application to substantiate the sources of projected revenues and expenses. See table below.

The following amounts are projected revenues and expenses for tax years 19XX through 19XX.

Statement of Revenue and Expenses

Line	Income	FTY 19XX	FTY 19XX	FTY 19XX
3	Gross Investment Income	\$	\$	\$
8	Total Lines 1 through 7	\$	\$	\$
13	Total Revenue line 9 through line 12	\$	\$	\$
Line	Expense	FTY 19XX	FTY 19XX	FTY 19XX
15	Contrib. Gifts, Grants Paid.	\$	\$	\$
19	Interest Expense	\$	\$	\$
23	Depreciation Expense	\$	\$	\$
23	Total Expenses line 14 through 22	\$	\$	\$
24	Excess of revenue over expenses	\$	\$	\$

Under Part IV, Assets, the organization reported proposed assets and liabilities for its fiscal tax year ending August 31, 19XX. Projected assets included a building valued at \$ and land valued at \$. Total assets equaled \$. Their only reported liability was a mortgage payable amounting to \$.

The application was signed on November 12, 19XX, by , President and Grand .

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Determination Letter:

The Service issued a favorable determination letter to the
March 18, 19XX. The determination letter stated:

on

Based on the information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from United States income tax under section 501(a) of the Code as an organization described in section 501(c)(3).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably expect to be a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

Paragraph 7 of the determination letter included the following advisory:

If you change your sources of support, your purposes, character, or method of operation, please let us know so we can consider the effect of the change on your exempt status and foundation status. If you amend your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, let us know all changes in your name and address.

Minutes of Board of Directors Meetings:

Tax Year 20XX:

The minutes reviewed for tax year 20XX clearly show the gaming activities were substantial. There were no indications in the minutes, that the conducted any charitable programs in the tax year. The organization's board of directors did approve charitable donations of \$ during the year; charitable contributions amounted to approximately % of gross bingo revenues and % of gross gaming revenues.

For example:

At the February 9, 20XX Board of Directors Meeting, the minutes discussed Rental Agreements, Liability Insurance, Room Capacity for dinner dance, the need for income/expenses to be reviewed continually for minor discrepancies, renting new hand held Bingo Machines, January financials were reviewed, it was

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noted that Bingo prizes were too high and need to keep them around the % mark. State audit for will cost approximately \$. Enclose Patio at a cost of \$ only for fencing materials or \$ only for metal and sheet rock materials.

At the April 7, 20XX Board of Directors Meeting, the minutes discussed a proposal to increase the Board of Directors from six to seven and that the terms would be three years, staggered. The Grand would be a de facto member of the Board. Charitable donations deferred to the next meeting.

At the May 12, 20XX Board of Directors Meeting, the minutes stated that Board discussed plans to expand the building by 1320 square feet at a cost of approximately \$; to expand the parking area to accommodate growth for additional buildings and bingo attendance growth; purchasing an additional bingo license which would include a 3rd bingo entity for additional sessions. Electronic (hand held) Bingo Machines, problem with older machines not working correctly. located in is proposing changes. Salesman has proposed old bingo machines can be sold for \$ /\$ per machine and split %. To be discussed at next board meeting. Two bids to reseal parking lot are being reviewed one bid for \$ and one for \$ tabled to next meeting. The Board of Directors approved charitable donations amounting to \$.

At the July 20, 20XX Board of Directors Meeting, the minutes stated that projected income generated from gaming activities was expected to exceed all prior year revenue levels and would be the best year ever. Prizes (payouts) from bingo accounted for about % of revenues and they continued to strive to keep the payout percentage under % of revenues. Bingo expenses were at %; the context in which the program is discussed call into question whether the program is a charitable activity. The EO is in need of someone to handle purchases of wine and beer. Job descriptions are needed for all employees. Pull tab shortages are reviewed. Need new security cameras. Existing equipment needs to be cleaned and checked. Motion was made to hire someone to review current security system and purchase two additional cameras, Motion passed. Motion also was passed to hire a phone service contractor to review the current phone system and make corrections as necessary. Policy needed regarding employee nepotism. We need a formal policy to prevent nepotism. We currently have relatives working together, which could lead to problems in the future. The board agreed to stop this, effective immediately.

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At the December 14, 20XX Board of Directors Meeting, the minutes stated that since the new bingo manager was hired, reports have been accurate and on time. The president discussed employee quarterly performance bonuses based on increased gaming revenue volumes and decreased gaming payouts for prizes and related expenses. The minutes also indicated the State would audit their bingo activities 3 times annually. The minutes discussed the building expansion and improvement projects, namely: entrance to bingo hall, addition to , rest rooms, small kitchen, office and storage, increasing bar area and meeting room, and new coat rack for bingo hall with heavy duty hangers. The Board of Directors also approved a \$ donation to the to pay for a table at the Auction. Former bingo manager was let go and has a potential unemployment claim due to an apparent forced termination vs. resignation. State's decision is pending.

Tax Year 20XX:

The minutes for tax year 20XX continued to demonstrate the did not engage or conduct substantial charitable activities or programs in the tax year and that the only substantial activity conducted by the was operating a gaming establishment commercially. The organization's board of directors did approve charitable donations of \$ during the year; charitable contributions amounted to approximately % of gross bingo revenues and % of gross gaming revenues. This figure included \$ is pleaded funds to be paid in tax year 20XX.

For example:

At the January 11, 20XX Board of Directors Meeting, the minutes stated that daily sales and cash reports for bingo, lottery and pull tabs were accurate and on time. attributed this to the recently hired bingo and lottery managers. They began discussing remodeling the entrance for the bingo hall. They also discussed the need for a voluntary bartender who would do liquor inventory. A member of the board will follow up on finding a volunteer for that role. In order to complete prior year financial statements, the accountants requested detailed costs for the building; the information is being reviewed and will be given to the accountants. The Bingo debit card machine is at capacity of \$; per Board approval president will OK debit card system with and we'll review that program's progress in another six month. It was noted that one day during the week there were 162 bingo customers.

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At the August 9, 20XX Board of Directors Meeting, the minutes stated July was a good month for pull tabs, scratch tickets and lottery tickets. Strong sales are being realized. Thanks to the lottery manager for working these non-bingo programs and keeping accurate records; **Bingo Blowout:** the most recent blowout, was not sold out, but still was a great success; we are planning to have 4 blowouts per year. **Employee quarterly bonuses:** after reviewing the profit and loss, the board directed the president to schedule bonuses for all employees who were employed during the entire quarter. Amounts will be determined by their position. It was recommended that a bonus be given to the lottery manager who is responsible for the pull tabs, scratch and lottery tickets; also recommended that they update bingo house rules which haven't been updated in years. They are being reviewed by the bingo manager. : Responsibility for the program has been assigned to a new manager and assistant who will help take inventory; discarding unusable equipment and donating excess equipment. It is recommended to have six month renewable contracts and a better follow up system to remind borrowers to return equipment after it is no longer needed. **Donations:** if we list our donations, we can budget our payouts throughout the year, everyone should be thinking of those organizations that we should consider for future donations. **Maintenance Report:** Do the boy and girl scouts still want to have their sheds on site. A member will contact them and see what they need to update existing sheds or build a new one.

At the November 14, 20XX Board of Directors Meeting, a board member was assigned to present a report on future needs of and bingo operations. Scheduled a meeting November 28th on replacement of old hand held bingo machines and system; transferred \$ from lottery account to **charity/business checking;** 9 month lottery net profit equaled \$; expenses equaled \$; Total Income equaled \$. Present cash flow chart for , shows (%) percent of bingo charitable revenues, to be deposited into the Charity/Business checking account each month (per state regulations to be used for charitable purposes). Transferred \$ net profit for tax year 20XX, to be deposited in April 20XX; motion passed to donate \$ per month from this account to charity/business account. If additional funds are needed for operation of building, transfers will be made. will be responsible for all liquor operation at hall including meetings and provide bartender. Treasurer will work with accountants to set up complete financial controls.

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At the December 13, 20XX Board of Directors Meeting the addition to building was discussed. were approved for permit in 180 days. Review plans and building process at next meeting; treasurer to appointment a bartender for the and rentals. Will also work with accountant to set up financial accounting for both areas; bartenders are responsible to keep all accounting records and transmit to accountants, a demo of electronic hand held bingo machines was conducted. Machines were sent for testing to meet state regulations and approval. Bingo manager was very impressed. will be the first in the State of with new electronic machines.

program: health problems have forced some changes in the program. A will be spending at least part of one day with program. Need more volunteers from for this worthy project; provide insurance and need a running inventory in case we have an insurance claim. The following tax year 20XX pledges of \$ and \$ were set aside for and respectively.

Tax Year 20XX:

The minutes continue to demonstrate that the have not conducted substantial charitable activities or programs in the 20XX tax year. The Board of Directors Meetings' Minutes were reflective of an organization operating substantial gaming activities commercially consuming gaming profits primarily to maintain, develop and to improve properties owned and operated by the for the benefit of their members. The organization also continues in its attempts to develop a software program that tracks program's assets. The paid charitable donations amounting to \$ in tax year 20XX. This amount included \$ in pledges carried over from tax year 20XX. Charitable contributions disbursed in tax year 20XX equaled % of gross bingo revenues and % of gross gaming revenues.

For example:

At their April 4, 20XX Board of Directors Meeting, the minutes discussed the application for its bingo license which is being prepared; the purchase of a new computer for bingo activities which replaces their old computer because they can't afford to have it fail. The old computer will be used as a backup. The motion to purchase the new computer system for \$ passed. The monitor for the bingo hall stage area stopped working. Discussing whether a 60" or 55" monitor should be purchased. A motion was made and passed to purchase the 55" monitor for \$; a motion was also passed to purchase an employees' 42" TV for \$ to be set up in the room. A donation of \$ for the RSVP Senior Center's annual appreciation dinner was also approved.

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At the May 8, 20XX Board of Directors Meeting, the minutes included discussing the purchase of a new internet compatible printer in the future for \$; the motion passed. Bingo employees were issued bonuses instead of raises in the 1st quarter. Property expansion bids were reviewed; one bid included only the basic building shell at a cost of \$. A second bid amounting to \$ included all the details. A building committee meeting with the contractors to coordinate detailed specifications with pricing will be scheduled. Adjoining property has been reduced from \$ to \$. They should consider making an offer of \$. A conference table for auction was donated. needs help moving to new building downtown. Food pantry will expand at current location. A motion passed to donate \$ to , to assist with move and buy food. Bingo special session June 9, 20XX. There will be a Bar-B-Q and all players, employees and Board Members are invited. The Board of Directors will be introduced to the players. Donations to and will continue. A request for an External Defibrillator was requested by . A motion passed to donate \$ to the AED fund. Monies already collected may be used for whatever the chooses; (maintenance costs, training, etc.).

At the June 12, 20XX Board of Directors Meeting, the minutes included a review of new building additions to ; a contractor was selected; the Board asked ways to keep the cost closer to \$ vs. the \$ bid; suggestions included postponing some of the construction to a later date; the contractor suggested that \$ +/- could be pared off; the Board asked to have the bid broken into three categories, namely:

- 1- Entryway
- 2- Patio
- 3- Addition to back of the hall

Contractor said he would call the president when he had the figures ready within the week; contractor will also bring a draft of the contract. Financial concerns were mentioned, including keeping enough money on-hand for the operation of the Bingo Hall; we have enough money to complete the project, but it might be close; the conclusion was the should set up a line of credit for the construction costs; the general feeling was that if they did use the bank () credit line, the money would probably be repaid within a year (with gaming revenues); plans were approved by the city, the contractor recommended they go ahead and get the building permit: Estimated

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cost was \$; the contractor felt it would be better if the obtained the permit since they can extend the work without interference by the city, and he can complete the work required of him and still keep the permit open for additional work. A resolution was made, seconded and passed that the proceed with the project at once, rather than trying to take a piece-meal approach, and make arrangements immediately for a line of credit for the project. Financials were reviewed and it was noted that May 20XX was once again one of their better months for net profit; Motion was made, seconded and passed to give bonuses of \$ to the bingo manager and \$ to the lottery machine manager, for their part in running the lottery machines so well. The program computer software is being discussed with a contractor; it is felt that he has the ability to produce the programs necessary for the program; need to write a contract to be sure all parties agree on what is to be done when, and how much. A motion was made, seconded and passed to donate \$ to , to assist them in their move and buy food. Previous donations to and will continue.

At the June 19, 20XX Board of Directors Meeting, the minutes showed that the final contract was reviewed; the new entry way included a small office and storage; the new add-on included two bathrooms, a kitchen area, office and storage and the new covered patio at the back of the bingo hall. Total cost \$. The contractor said he will bill the bi-weekly for completed work; any change orders to be paid at completion; the full board agreed this will work; the payments will be approved by the project manager; when the question arose as to how the project was going to be paid, the president said they probably have enough money to cover it now, but he would be more comfortable if they set up some sort of financing so we have enough to pay for the monthly building operating expenses, as well. The president said he has been in contact with and they would have no problem loaning \$ to \$; He suggested that we might want to consider setting up a Line Of Credit (LOC), for \$; The president said no matter what they do, we should have enough for the new addition to be paid for within a year; a vote was taken and passed unanimously, that the commit to the \$ contract; a member of the Board of Directors was selected as project manager. , president, signed the contract with the contractor for the building expansion and new addition.

At the July 10, 20XX Board of Directors Meeting, the minutes reviewed the bingo financial report; the report showed the were doing well and were within the state required percentages for donations and prizes. amounting to \$ will be paid this week. Contract for new

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additions was signed with the anticipated completion date of September 15, 20XX. A meeting was held with the president, board members, contractor and property manager to review items not included in the contract, namely, interior painting, no finishes on concrete floors, bathroom toilets, faucets and toilet paper holders; property manager will procure these items and are not sure about vanities. All change orders are to be approved by the Board of Directors, (phone approval is acceptable) and signed by the project manager. Backup Battery System for bingo activities failed and needed to be repaired. We have two systems on line, and both are needed. A third backup system was brought in to use while the other was being repaired. We will be keeping the third backup system because they cannot afford to have the (gaming) computers down. requested the pay their pledge for the year in full rather than monthly; they are trying to pay off their mortgage; they have also requested they increase the amount of their total pledge to \$, rather than \$ previously committed; Because we just started construction, and are not sure of our financial status, we voted to pay the balance of the original pledge (\$) in full and to consider the increase at a future meeting.

Golf Tournament sponsorship amounting to \$ was approved by phone vote and reviewed by the Board at this meeting. Financial Stats were reviewed and it was noted May, 20XX was once again one of our better months for net profit. The computer software is being developed by a contractor, who, in the Board of Directors opinion, has the ability to produce the necessary software for the program; they will need to write a contract so that all parties agree on what is to be done, when and how much it will cost. Motion was made, seconded last month to give bonuses to the bingo manager \$ and lottery machine manager a \$ for their part in running the lottery machines so well, passed. A customer won \$ on June 9th with a scratch card; a check from the state will be presented to the customer in about a week. The bingo operation received a \$ credit. New Construction Celebration will be held at the Bingo Hall, Saturday, October 6, 20XX; it will be held on the new patio with a potluck meal. The will provide soft drinks and the meat. Invite everyone, , , Bingo Employees, etc.; Time from 4PM to 8PM. Bar will be available. The kitchen is too hot. A suggestion was made to install 2 or 3 attic fans; which might also help the problems with air conditioning and smoke eaters; the air conditioning in the (bingo) hall is not adequate for the space. Recommended we get larger units; we have requested a quote for larger unit installation; the old unit can be moved to the bingo office and entry way and would be adequate for space. The food pantry building is on the market to sell; we could consider constructing a small building (25 x40) on our property which would have minimal finishes; window, door, garage door, cement floor, heating,

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cooling, unisex bathroom, sink and hot water; we could lease the building back to . Parking lot: we need to obtain a bid for additional parking preparation and blacktop; need separate bids. Property Purchase Next Door was discussed; the property on the east end may become available soon; we need to keep an eye on that as well. A motion was made and seconded to donate \$ to food pantry, it passed.

At the September 12, 20XX, Board of Directors Meeting, the minutes indicated that at the meeting a quorum did not exist and the meeting was not convened. The president and four board members however, informally discussed and reviewed remaining work required by the contractor including remaining electrical work including bathroom fixtures, installation of air conditioner in the lottery office, and outside stucco finish. Work to be completed by member including, finishing painting doors and castings, lay floor tile, seal entry way and lottery floor tile, install bathroom fixtures not included in contract; Rental contracts need to be review to make more flexible, member is working on this; Christmas rentals are almost filled, only Mondays are available; New flag pole needs to be installed, can we get flag pole company to install it. Member will follow up with flag pole company; New portable bar has not yet been built. Personnel Director is needed. Recent problems bought about the need for one, a member has volunteered and is approved by Board. New addition activities need to be prioritized, including:

Office –wall cabinets;
Storage Room –shelving & move 48" refrigerator;
Bar Area – move bar and plum for ice maker;
Kitchen –cabinets, dishwasher, gas range, hood or micro/hood, sinks and faucet and microwave;
Lottery and Bingo offices –manager's chair, lottery cabinet, for storage of tickets;
Paint bingo offices –will be a non-smoking office after painting;
Lawn –sprinklers are working, need fertilizer and weed killer. Also need to kill weed in blacktop (parking) area.

Program is looking for a new computer software for managing (asset inventory). is being asked to bid for this work.

The Girl Scouts building is getting a new roof and we will use our original siding for their building.

In closing the President stated the is chartered to own and operate the building and grounds. These activities receive first priority

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for our funds. The Bingo operation is regulated by the governing rules of the State of . All profits are donated to the for their operation.

At the October 9, 20XX Board of Directors Meeting, a review of the Financials showed tax year 20XX was one of the biggest financial successes; approved a loan for \$ pending receipt of their occupancy permit. The loan agreement can be signed by the president and the vice president. The contractor completed all contracted work; unfinished work includes: sealing concrete floors in entry way and in the lottery office and utility room in the new addition. Tiling hall, bar and office, wall storage and moving bar and equipment to new location by volunteers; finish kitchen when funds become available. Bingo machines now have a backup system installed; we will operate with new system for a few weeks and then place in storage and use the original system; the replacement system is available in case of breakdown; we are attempting to have backup on all bingo equipment to avoid loss of revenue. The property manager will also serve as personnel manager with no additional wages. Fire Alarm has been giving false alarms. A new panel is required with some additional wiring. The new panel will have a part that was not available in the old panel that allows connecting additional required monitors; additional work was done to correct some wiring problems; property manager is working on finding a different alarm company that will give better service at a lower cost; are requesting bids for replacement of monitor systems for security; additional fire alarm requirements not fulfilled by the architect; this is being addressed. The occupancy permit is being held up for this to be completed. Possible projects when funds become available: correcting slope from patio before seeding. High Priority - black top for new parking; a member is investigating possibility of raising funds to provide food pantry building on property for the ; The president of the , is also president of the . Lottery office was moved to the new building addition; bingo manager needs computer, adding machine, desk and chair. Alert received from state police reminding us not to use slot machines. By-laws- all board members need a copy of the By-laws. Donations:

Fair-Commitment for Beer and Glasses-\$;
-Thanksgiving and Christmas donation total \$;
voted to commit a table; , \$;
- this is an ongoing commitment; this is an ongoing commitment.

At the November 15, 20XX Board of Directors Meeting, the minutes stated a motion was made and passed to prepare quarterly and Christmas bonuses for

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the _____ bingo employees. _____ committed \$ _____ for Christmas Boxes to _____. Big Brothers and Big Sisters were each approved for a \$ _____ donation for tax year 20XX. The Contractor was paid in full. Donations were also approved for _____, \$ _____; \$ _____, Shop with a Cop program, \$ _____, Shop with a Cop, \$ _____; _____ was approved for a \$ _____ donation in November and in December.

At the December 11, 20XX Board of Director's Meeting, the minutes stated that actual cost of the Bingo and _____ was approximately \$ _____; this does not include costs for the insulation of the building and kitchen cabinets, which will add another \$ _____ and \$ _____ respectively. Cash transfers from Bingo Account to the _____ Charitable/Business bank account amounting to approximately \$ _____ after Bonuses, which left a positive balance to be transfer in January. These funds are in addition to the % charitable donations required by bingo rules. Our property/personnel manager has requested a \$ _____ raise. Kitchen food prices will be raised effective January 1, 20XX.

Attorney sent an e-mail regarding potential law suits; we need to review current policies and procedures and see if we are jeopardizing our position; until we have a new policy in place, all hall events are on hold, except for _____ and church events. _____ program electric bill is averaging \$ _____ per month; Need to research heating system in the _____ building; possible solutions include a timer to turn the heat on and off automatically or replace with space heaters; all _____ building expenses need to be reported as charitable donation; Need to take an inventory on all _____ equipment for computer data base for insurance and tax purposes; a contractor is installing a computer program to assist with loan of equipment and follow-up. New contract and terms are also being prepared. Repairs to equipment are costing more than they should, because inexperienced people have attempted to complete repairs; in an effort to reduce costs over the past two years. We discovered this problem, and will authorize repairs by trained technicians only. A Status Report of the _____ Operations over the past 5 years show we have progressed from having to borrow money from _____, a 501(c)(3), to pay for expenses, to a successful and profitable operation. This was an issue with the State Audit. The past three years have seen increases in sales and profits for bingo, lottery and kitchen; charitable funds have increased from % to %. We have completed a major expansion and improvements on our buildings, from insulation and smoke eaters to security and sprinklers and a new lottery office without incurring debt; _____ provided a \$ _____ loan in case of shortage of operating capital; how we handle the payout of the loan depends on future

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financial conditions, needs and improvements still required; it appears we have adequate funds available without using funds from the loan, but it might be a little tight for six months. Annual 20XX meeting is coming in April; we need to start preparing notices to members of date, time and location, election of new board members and report financial and future plans to members.

Tax Year 20XX Annual Meeting

President's Introduction:

Welcome to all new and old members of the _____ and
20XX.

Paragraph 2 stated:

About 19XX the _____ were incorporated as a nonprofit corporation to own property and a building, for the operation of bingo and a hall for the _____.

Supreme does not allow _____ Councils to own property. Supreme has set up rules for forming nonprofit corporations for ownership of property. These are called home corporations by Supreme. Membership of corporation is comprised of all paid up members of Council 20XX each paid up member is entitled to cast one vote at annual meeting for new board members. Two years ago membership voted to have seven board members with staggered terms to preserve continuity on the board.

Paragraph 3 stated:

Our local _____ council formed the _____ to own and operate the building and grounds. The building was built and over the next few years _____ obtained a bingo license to operate 3 additional sessions bring total sessions to 9 sessions.

Paragraph 9 stated:

The financials for tax year 20XX are posted by the door at the rear of the hall. The year 20XX was a successful year for all our different operations. _____ bingo, charity, lottery and pull tab, concessions, liquor, rentals maintenance, building and grounds are overseen by the President of _____ and the _____ Board. The bingo operation sales were just shy of 20XX the year before the economy started free fall and 3 bingo sessions had to be dropped. Charitable funds **available**, has increased approximately % to % this year or \$ _____. This is the result of keeping bingo expenses down and prizes under control without losing customers. Weekly

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customer count is almost double per our customer count in 20XX, per person sales is down a little. Lottery and Pull tabs income has increased; a new accounting system and new employee to operate system were installed in January 20XX. The new system keeps track of sales, inventory, payouts, and traces every aspect of the lottery operation. The lottery has had a large increase in sales and net income with the new system. The operation of bingo requires concessions be provided and sales have exceeded expenses for the past 4 years. A new accounting system should be in place shortly after the tax session is finished.

Paragraph 10 stated:

The change in our operation over the past 2-1/4 years is due to the difference in attitude of the employees, resulting in player satisfaction. Make an effort to thank the employees for the good work and attitude they display. They are the ones that keep the customers coming back to our hall.

Paragraph 12 stated:

The board faced issues with old (property improvement) plans; our need for parking has increased and might require additional parking lot space. The board has had plans drawn and received approval from the city for an addition to back of hall and an addition to entry of main hall. The addition to entry is to provide office space. The addition to the hall will include moving bar to new area. (freeing up more space for socials and meetings), men's and women's restrooms, storage space and office or holding room for initiations and future expansion and a small kitchen for serving parties. Bids are being taken at this time. Weather permitting we will start on the entry in the next few weeks and continue with outer shell on the hall.

Paragraph 16 states:

We also have purchased a slightly used commercial refrigerator for the new kitchen addition and a bar backup and a Commercial freezer for backup of old unit in kitchen concession

Paragraph 17 stated:

is a separate nonprofit bingo operation using our facilities to operate three bingo sessions each week. They operate under the laws of the State of , are required to donate % of gross bingo sales to charity. Their charitable donations are a major support for and also provide funds for charitable works.

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Financial Analyses:

Bingo Revenues, Allowable Expenses and Net Profit

The tables below identify bingo revenues, expenses, net profit and/or amounts available for charitable programs and activities.

As presented in the table below, gross revenues in tax year 20XX equaled \$, in tax year 20XX gross revenues equaled \$ and in tax year 20XX gross revenues equaled \$. Tax year 20XX revenues represented a % increase in gross revenues, over tax year 20XX. Tax year 20XX gross revenues represented a % increase in gross revenues over tax year 20XX. Gross Bingo gaming revenues reported in tax year 20XX increased approximately % since tax year 20XX. The analysis below, shows net revenues reported in tax year 20XX increased approximately % over tax year 20XX. Tax year 20XX net revenues increased approximately % over tax year 20XX. Net revenues in tax year 20XX increased approximately % since tax year 20XX.

Bingo Revenue & Expense Analysis

Income	Revenue Tax Year 20XX	Revenue Tax Year 20XX	Revenue Tax Year 20XX	Total Revenues T/Years 20XX-20XX
Gross Bingo Revenue	\$	\$	\$	\$
Total Gross Bingo Revenue	\$	\$	\$	\$
Expenses	Tax Year 20XX	Tax Year 20XX	Tax Year 20XX	Total
Prizes and Awards	\$	\$	\$	\$
Bad Checks	\$	\$	\$	\$
Advertising	\$	\$	\$	\$
Bank Fees	\$	\$	\$	\$
Cash (Over)	\$	\$	\$	\$
Customer Gift/appreciation	\$	\$	\$	\$
License/Permits	\$	\$	\$	\$
Misc.	\$	\$	\$	\$
Bingo Wages	\$	\$	\$	\$
Payroll Taxes	\$	\$	\$	\$
Uniforms	\$	\$	\$	\$
Office Expenses	\$	\$	\$	\$
Penalties	\$	\$	\$	\$
Postage & Delivery	\$	\$	\$	\$
Printing & Reproduction	\$	\$	\$	\$
Professional Fees	\$	\$	\$	\$

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Workers Comp. Insurance	\$	\$	\$	\$
Supplies	\$	\$	\$	\$
Total Bingo Expenses	\$	\$	\$	\$
Net Bingo Revenues	\$	\$	\$	\$

Financial Analyses:

Unrelated Business Income, Directly Related Expenses and Net Profit/(Loss)

The table below analyzes unrelated business gaming revenues, expenses, net profits, taxable unrelated business income and unrelated business income taxation. Unlike bingo gaming revenues, the amount of commissions earned is generated based on a fixed percentage of gross sales. The State of _____ closely regulates non-bingo gaming activities relating to pull tabs, lotto and scratch card sales. Currently exempt organization's commission for selling such products is % of gross sales plus selling bonuses when issued. Selling bonuses are paid to exempt organizations having above average sales. All commissions are netted against taxes paid to the state gaming commission. In the State of _____, only state authorized vendors may sell gaming products. The state receives invoice copies of all gaming products sold. Payment to gaming vendors must be made within 30 days. All errors in shipment are reported to vendors and the state's lotto gaming division simultaneously.

Unrelated Business Activities Analysis

Account Name	T/Year 20XX	T/Year 20XX	T/Year 20XX	Total 20XX-20XX
Income:				
Pull Tabs	\$	\$	\$	\$
Scratch Games Net	\$	\$	\$	\$
Lotto	\$	\$	\$	\$
Kitchen Concession Income	\$	\$	\$	\$
Hall Rental (Food Service	\$	\$	\$	\$
Liquor Sales	\$	\$	\$	\$
Total Unrelated Business Inc.	\$	\$	\$	\$
Directly Related Expenses:				
Pull Tabs Payout	\$	\$	\$	\$
Pull Tabs Net Sales Tax	\$	\$	\$	\$
Scratch Card Payout L/T	\$	\$	\$	\$
Scratch Card Payout M/T	\$	\$	\$	\$

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Scratch Card	Net Sales Tax	\$	\$	\$	\$
Lotto Payout		\$	\$	\$	\$
Lotto	Net Sales Tax	\$	\$	\$	\$
Kitchen Concession Food Exp.		\$	\$	\$	\$
Liquor Supplies				\$	\$
Directly Related Gaming Exp.		\$	\$	\$	\$
G/Profit Unrelated Bus. Act.		\$	\$	\$	\$
Other Directly Related Exp.					
Kitchen Wages		\$	\$	\$	\$
Lotto Wages		\$	\$	\$	\$
Payroll Taxes		\$	\$	\$	\$
Food Sales Tax		\$	\$	\$	\$
Uniform Expense		\$	\$	\$	\$
Ttl. Other Directly Related Exp.		\$	\$	\$	\$
Unrelated Bus. Inc. before tax		\$	\$	\$	\$
Specific Deduction		\$	\$	\$	\$
Gross Unrelated Business Income		\$	\$	\$	\$
Unrelated Bus. Inc. Tax (15%)		\$	\$	\$	\$
Net Unrelated Bus. Inc.		\$	\$	\$	\$
Tax (Over)/Under Payment		\$	\$	\$	\$

Financial Strength Analysis:

The below analysis identifies net cash available for charitable programs, disbursements for improving and developing land, buildings and ongoing property maintenance expenses. The analysis identifies revenues generated from all activities and further identifies whether disbursements for charitable activities were commensurate with the exempt organization's financial strength in tax years 20XX-20XX, the audit period.

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Analysis of Financial Strength for Tax Years 20XX-20XX

Account Name	Tax Year 20XX	Tax Year 20XX	Tax Year 20XX	Total Tax Yrs. 20XX-20XX
Net Bingo Revenue	\$	\$	\$	\$
Net Unrelated Bus. Income	\$	\$	\$	\$
Bingo Rental Income	\$	\$	\$	\$
Net Cash From Gaming Activities	\$	\$	\$	\$
Char. Contrib.	\$	\$	\$	\$
Available Cash From Activities	\$	\$	\$	\$
Property Expenses:				
Maintenance Expense	\$	\$	\$	\$
Property Maintenance Payroll	\$	\$	\$	\$
Maintenance Payroll Taxes	\$	\$	\$	\$
Contract Labor	\$	\$	\$	\$
Maintenance Supplies	\$	\$	\$	\$
Property Maintenance	\$	\$	\$	\$
Utilities	\$	\$	\$	\$
Security	\$	\$	\$	\$
Supplies	\$	\$	\$	\$
Property Taxes	\$	\$	\$	\$
Equip. Repairs	\$	\$	\$	\$
Pest Control	\$	\$	\$	\$
Small Eq.	\$	\$	\$	\$
Total Building Expenses	\$	\$	\$	\$
Other Adm. Expenses				
Professional Fees	\$	\$	\$	\$
Insurance	\$	\$	\$	\$
Telephone	\$	\$	\$	\$
	\$	\$	\$	\$
Subscriptions	\$	\$	\$	\$
Total Other Adm Expenses	\$	\$	\$	\$
Total Payment for Building Addition	\$	\$	\$	\$
Total Building & Other Exp.	\$	\$	\$	\$
Total Available Cash Fr. All Activities	\$	\$	(\$)	\$
Less: Charitable Donations Disbursed	(\$)	(\$)	(\$)	(\$)

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Available Net Cash From Activities	\$	\$	(\$)	\$
Certificates of Deposits	\$	\$	\$*	\$
Total Net Cash Available At Year End	\$	\$	(\$)	\$
*Monies deposited from CD's into charitable account in tax year 20XX.				

Financial Strength Evaluation:

In audit period the organization's combine available cash from all sources identified above amounted to \$. Charitable contribution revenues received, primarily donated from one 501(c)(3) public charity sharing the bingo facilities, equaled \$ while charitable donation to other 501(c)(3) public charities amounted to \$. The above table shows combined net available cash at year-end tax year 20XX amounted to \$ or % of charitable donations disbursed. A review of bank statements at year end 20XX reflected amounts in excess of amounts reflected in the above table. Outstanding accounts payable reported in their financial statements for the same period equaled approximately % of net available cash at year end. Further the exempt organization disbursed \$ in full payment for improvements made to the main building and parking area primarily to generate additional gaming revenues and other unrelated business revenues including revenues from a modernized full service kitchen concession. The exempt organization developed its property to create modern facility for the rent free. The members of the are required to be members in good standing of the .

In summary, combined charitable contributions disbursed in the audit period amounted to \$ or approximately % of combined gross gaming revenues. In the audit period combined net available cash for the same period equaled \$ before property improvement expenses and charitable contributions were disbursed. Combined charitable contributions in the audit period amounted to \$ or % of combined net available cash. In comparison, combined property improvements expense paid for the same period equaled \$ or %. Combined available cash in bank amounted to \$ or % of combined net available cash respectively. As a result, the failed to satisfy the commensurate test described in Revenue Ruling 64-182-1964-1 C.B. 186 which is presented in the Legal Precedent Section of this report.

Additionally the was granted its 501(c)(3) exemption from the federal government when the initial application F1023 was submitted to the

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Internal Revenue Service. The _____ was granted exemption only under Sections 501(c)(3) as a public charity organized under 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. This can be verified by reviewing your Determination Letter dated March 18, 19XX.

In order to maintain your 501(c)(3) exemption the _____ is required to be compliant with all appropriate exempt organization tax law. Please review your determination letter for details.

LEGAL PRECEDENTS:

Revenue Ruling 64-182, 1964-1, C.B.186 states – a corporation organized exclusively for charitable purposes derives its income principally from the rental of space in a large commercial office building which it owns, maintains and operates. The charitable purposes of the corporation are carried out by aiding other charitable organizations, selected in the discretion of its governing body, through contributions and grants to such organizations for charitable purposes. Held, the corporation is deemed to meet the primary purpose test of section 1.501(c)(3)-1(e)(1) of the Income Tax Regulations, and to be entitled to exemption from Federal income tax as a corporation organized and operated exclusively for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954, where it is shown to be carrying on through such contributions and grants a charitable programs commensurate in scope with its financial resources.

I.R.C. Section 170(c)(1) states a contribution or gift is defined to or for the use of (1) A State possession of the United States or any political subdivision of any of the foregoing or United States, or District of Columbia but only if the contribution or gift is made exclusively for public purposes.

I.R.C. Section 1.6033-2(i) - states that an organization which is exempt from taxation under section 501(a) and is not required to file annually shall immediately notify the Service in writing of any changes in its character, operations, or purpose for which it was originally created. This section further states that every organization exempt from tax whether or not it is required to file an annual information return, shall submit such additional information as may be required by the Internal Revenue Service for the purpose of inquiring into its exempt status and administering the provisions of the tax

Treasury Regulation Section 1.170A-9(f) defines section 170(b)(1)(A)(vi) organization. (1) In general. An organization is described in section 170(b)(1)(A)(vi) if

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it—(i) Is referred to in Section 170(c)(2) (other than an organization specifically described in paragraphs (b) through (e) of this section); and (ii) Normally receives a substantial part of its support from a governmental unit referred to in section 170(c)(1) or from direct or indirect contributions from the general public (“publicly supported”). For purposes of this paragraph (f), an organization is publicly supported if it meets the requirements of either paragraph (f)(2) of this section (33 1/3 percent support test) or paragraph (f)(3) of this section (facts and circumstances test). Paragraph (f)(4) of this section defines “normally” for purposes of the 33 1/3 percent support test and the facts and circumstances test, and for new organizations in the first five years of the organization's existence as a section 501(c)(3) organization. Paragraph (f)(5) of this section provides for determinations of foundation classification and rules for reliance by donors and contributors. Paragraphs (f)(6), (f)(7), and (f)(8) of this section list the items that are included and excluded from the term support. Paragraph (f)(9) of this section provides examples of the application of this paragraph. Types of organizations that are subject to the provisions of this paragraph (f), generally qualify under section 170(b)(1)(A)(vi) as “publicly supported” are publicly or governmentally supported museums of history, art, or science, libraries, community centers to promote the arts, organizations providing facilities for the support of an opera, symphony orchestra, ballet, or repertory drama or for some other direct service to the general public.

Treasury Regulation Section 1.170A-9(f)(2) Determination whether an organization is “publicly supported”; 33 1/3 percent support test. An organization is publicly supported if the total amount of support (see paragraphs (f)(6), (f)(7), and (f)(8) of this section) that the organization normally (see paragraph (f)(4)(i) of this section) receives from governmental units referred to in section 170(c)(1), from contributions made directly or indirectly by the general public, or from a combination of these sources, equals at least 33 1/3 percent of the total support normally received by the organization.

Treasury Regulation 1.170A-9(f)(3) Determination whether an organization is “publicly supported”; facts and circumstances test. Even if an organization fails to meet the 33 1/3 percent support test described in paragraph (f)(2) of this section, it is publicly supported if it normally (see paragraph (f)(4)(i) of this section) receives a substantial part of its support from governmental units, from contributions made directly or indirectly by the general public, or from a combination of these sources, and meets the other requirements of this paragraph (f)(3). In order to satisfy the facts and circumstances test, an organization must meet the requirements of paragraphs (f)(3)(i) and (f)(3)(ii) of this section. In addition, the organization must be in the nature of an organization that is publicly supported, taking into account all pertinent facts and circumstances, including the factors listed in paragraphs (f)(3)(iii)(A) through (f)(3)(iii)(E) of this section. (i) Ten-percent support limitation. The percentage of support (see paragraphs (f)(6), (f)(7) and (f)(8) of this section) normally received by an organization

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from governmental units, from contributions made directly or indirectly by the general public, or from a combination of these sources, must be substantial. For purposes of this paragraph (f)(3), an organization will not be treated as normally receiving a substantial amount of governmental or public support unless the total amount of governmental and public support normally received equals at least 10 percent of the total support normally received by such organization. (ii) **Attraction of public support.** An organization must be so organized and operated as to attract new and additional public or governmental support on a continuous basis. An organization will be considered to meet this requirement if it maintains a continuous and bona fide program for solicitation of funds from the general public, community, or membership group involved, or if it carries on activities designed to attract support from governmental units or other organizations described in section 170(b)(1)(A)(i) through (b)(1)(A)(vi). In determining whether an organization maintains a continuous and bona fide program for solicitation of funds from the general public or community, consideration will be given to whether the scope of its fundraising activities is reasonable in light of its charitable activities. Consideration will also be given to the fact that an organization, in its early years of existence, may limit the scope of its solicitation to persons deemed most likely to provide seed money in an amount sufficient to enable it to commence its charitable activities and expand its solicitation program. (iii) In addition to the requirements set forth in paragraphs (f)(3)(i) and (f)(3)(ii) of this section that must be satisfied, all pertinent facts and circumstances, including the following factors, will be taken into consideration in determining whether an organization is "publicly supported" within the meaning of paragraph (f)(1) of this section. However, an organization is not generally required to satisfy all of the factors in paragraphs (f)(3)(iii)(A) through (f)(3)(iii)(E) of this section. The factors relevant to each case and the weight accorded to any one of them may differ depending upon the nature and purpose of the organization and the length of time it has been in existence. (A) **Percentage of financial support.** The percentage of support received by an organization from public or governmental sources will be taken into consideration in determining whether an organization is "publicly supported." The higher the percentage of support above the 10 percent requirement of paragraph (f)(3)(i) of this section from public or governmental sources, the lesser will be the burden of establishing the publicly supported nature of the organization through other factors, including those described in this paragraph (f)(3), while the lower the percentage, the greater will be the burden. If the percentage of the organization's support from public or governmental sources is low because it receives a high percentage of its total support from investment income on its endowment funds, such fact will be treated as evidence of an organization being "publicly supported" if such endowment funds were originally contributed by a governmental unit or by the general public. However, if such endowment funds were originally contributed by a few individuals or members of their families, such fact will increase the burden on the organization of establishing that it is "publicly supported" taking into account all

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pertinent facts and circumstances, including the other factors described in paragraph (f)(3)(iii) of this section. **(B) Sources of support.** The fact that an organization meets the requirement of paragraph (f)(3)(i) of this section through support from governmental units or directly or indirectly from a representative number of persons, rather than receiving almost all of its support from the members of a single family, will be considered evidence of an organization being "publicly supported." In determining what is a "representative number of persons," consideration will be given to the type of organization involved, the length of time it has been in existence, and whether it limits its activities to a particular community or region or to a special field which can be expected to appeal to a limited number of persons.

C) Representative governing body. The fact that an organization has a governing body which represents the broad interests of the public, rather than the personal or private interests of a limited number of donors (or persons standing in a relationship to such donors which is described in section 4946(a)(1)(C) through (a)(1)(G)), will be considered evidence of an organization being "publicly supported." An organization will be treated as having a representative governing body if it has a governing body (whether designated in the organization's governing instrument or bylaws as a Board of Directors, Board of Trustees, or similar governing body) which is comprised of public officials acting in their capacities as such; of individuals selected by public officials acting in their capacities as such; of persons having special knowledge or expertise in the particular field or discipline in which the organization is operating; of community leaders, such as elected or appointed officials, clergymen, educators, civic leaders, or other such persons representing a broad cross-section of the views and interests of the community; or, in the case of a membership organization, of individuals elected pursuant to the organization's governing instrument or bylaws by a broadly based membership. **(D) Availability of public facilities or services; public participation in programs or policies.** **(1)** The fact that an organization generally provides facilities or services directly for the benefit of the general public on a continuing basis (such as a museum or library which holds open its building or facilities to the public, a symphony orchestra which gives public performances, a conservation organization which provides educational services to the public through the distribution of educational materials, or an old age home which provides domiciliary or nursing services for members of the general public) will be considered evidence that such organization is "publicly supported." **(2)** The fact that an organization is an educational or research institution which regularly publishes scholarly studies that are widely used by colleges and universities or by members of the general public will also be considered evidence that such organization is "publicly supported." **(3)** The following factors will also be considered evidence that an organization is "publicly supported": **(i)** The participation in, or sponsorship of, the programs of the organization by members of the public having special knowledge or expertise, public officials, or civic or community leaders. **(ii)** The maintenance of a definitive program by an organization to accomplish its charitable

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work in the community, such as combating community deterioration in an economically depressed area that has suffered a major loss of population and jobs. (iii) The receipt of a significant part of its funds from a public charity or governmental agency to which it is in some way held accountable as a condition of the grant, contract, or contribution.

Treasury Regulation Section 1.501(c)(3)-1(e)(1) Organizations carrying on trade or business—(1) In general. An organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business, as defined in section 513. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes. An organization which is organized and operated for the primary purpose of carrying on an unrelated trade or business is not exempt under section 501(c)(3) even though it has certain religious purposes, its property is held in common, and its profits do not inure to the benefit of individual members of the organization.

Treasury Regulation Section 601.201(n)(3)(ii) provides - that "[a] ruling or determination letter recognizing exemption may not be relied upon if there is a material change inconsistent with exemption in the character, the purpose, or the method of operation of the organization."

GOVERNMENT'S POSITION:

Our analysis of facts, circumstances, activities, by-laws, minutes of the Board of Directors' Meetings, financial strength analysis and evaluation, substantial non-exempt gaming activities analysis and charitable activities analysis clearly establishes the organization did not conduct any substantial charitable programs or charitable activities in the audit period. In the newly elected president's position statement, he confirmed that the is a sponsored program and not sponsored by the . Additionally, the organization's failure to notify the Internal Revenue Service of significant changes in their activities, sources of income, purposes, character and methods of operation which contributed significantly to its failing the public support test in the audit period coupled with material misstatements in their initial Application for Recognition of Exemption (Form 1023) about their interlocking directorate relationship with the . This is further supported by the former president's opening remarks at their tax year 20XX

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annual meeting and at our initial interview that the exempt organization views itself as custodian for real properties on behalf of the . The analysis presented above support our position that the organization failed the operational, commensurate and primary purpose test requirements and that the exempt organization no longer qualifies for exemption as a public charity under Section 501(c)(3) of the Internal Revenue Code.

TAXPAYER'S POSITION:

On July 2, 20XX we received a response to our preliminary findings report from , recently elected president of the . In his response he stated that:

The were and are a legally incorporated religious non-profit charity of the State of . They filed a F1023 and answered the questions on that form honestly and truthfully and were granted 501(c) non-profit religious charity status by the IRS in 19XX.

The By-laws of the ., Article II Purposes: states that the "organization shall be organized and operated exclusively for the purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, or any superseding section, or relevant Section 501(c)(2) or Section 501(c)(7),.

The provide facilities to , Boy and Girl Scouts of America.

The own and maintain the Center at and are licensed by the State of to run three bingo sessions per week.

The meet at the facilities, sponsor and run the program and a community garden.

is licensed by the State of to run three bingo games per week.

The , run a food bank.

The Boy Scouts and Girl Scouts meet and hold other functions on the property.

Each of these entities is an independent 501(c) Religious organization or charity, their common bond is they are all followers of the catholic faith.

Title 67, State Government and State Affairs and Chapter 77 Bingo and Raffles states:

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Section 67-7701. "Purpose and Policy" "all bingo and raffles in must be strictly controlled and administered," " the state to provide for the administration of charitable bingo games.

67-7707. "Bingo by Charitable or Nonprofit Organization" (1) "it is lawful for a charitable or nonprofit organization to conduct bingo sessions or games in accordance with the provisions of this chapter and rules of the State of ."

67-7709. "Accounting and Use of Bingo Proceeds" (1)(c) Any proceeds available in a bingo account after payment of the expenses set forth in paragraph (1)(a) of this subsection shall inure to the charitable or nonprofit organization to be used for----- purchasing, constructing, maintaining, operating or using equipment or and or a building or improvement thereto, owned, leased, or rented by and for a charitable or non-profit organization. (Section (d))i) "not less than twenty percent (20%) of gross revenues shall be used for charitable purposes."

IDAPA, 52.01.02 Gaming Rules of the State Lottery Commission:

010 Definitions (Rule 10)07. Charitable Contribution Acknowledge Report or CCARF. A form required to be filed to identify recipients of charitable donations.

The State of closely regulates and monitors Gaming through reports from and auditing of Licensee.

The eight pages of the Revised Preliminary Findings Report devoted to the amount spent at the director's meetings deal with the management of the bingo suggesting the are a for-profit business is blatantly untrue. All of the Directors are volunteers. The bingo is a lawful fundraising endeavor of a lawful not for profit 501(c)(3) charity, The . The bingo operations do require a lot of time to run effectively and efficiently.

Financial strength Analysis line Less "Charitable Donations Disbursed" are shown as (\$)(\$) and (\$ for 20XX, 20XX and 20XX respectively. I have a CCAR forms that add to (\$)(\$) and (\$) for tax year 20XX, 20XX and 20XX respectively totaling \$ charitable donation to other 501(c)(3) public charities vs. \$.

The filings for incorporation as a religious charity and not for-profit status included organizational exemption under Section 501(c)(2), Section 501(c)(3) and Section 501(c)(7) of the Internal Revenue Code. Section 501(c)(2)'s are Title holding Companies for Exempt Organizations.

Essentially the did not change their sources of support, purpose character, or method of operation. The original primary source of rent was from and its bingo proceeds. The added three more bingo sessions to the same purpose. We will file a new IRS F1023 as required.

The are totally dedicated to the principals of charity. The provide facilities to six different 501(c) entities enabling them to carry on their

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charitable activities. The and the are in fact two separate and legal corporations; one does NOT control the other. The \$?, disbursed by the was Not for Land; it was to expand, improve and maintain the facilities as allowed by Title 76-7709 and IRS 501(c)(2) for the benefit of their tenants.

CONCLUSION:

Based on the facts, circumstances and legal precedents presented above, fails to qualify as an exempt organization described under IRC § 501(c)(3). Accordingly, the proposed revocation of their tax exempt status is effective beginning January 1, 20XX.

Form 1120 U.S. Income Tax Return must be filed for tax years ending December 31, 20XX, 20XX, 20XX. Subsequent returns, if any, should be sent to the following mailing address:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0012

The effective date of the revocation will be the first day after the end of the 90-day period (91st day).